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SUBJECT: THE MERCHANT FAMILIES LOSE GROUND TO
- THE AL-SABAH

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- (B) 88 KUWAIT 6886
- (C) 88 KUWAIT 1481
- (D) KUWAIT 1948
- (E) KUWAIT 3814

¶1. CONFIDENTIAL -- ENTIRE TEXT.

SUMMARY

¶2. THE 1980'S HAVE WITNESSED A GRADUAL REALIGNMENT IN THE BALANCE OF POWER AMONG KUWAIT'S FOUR MAJOR FAMILY GROUPS: THE RULING AL-SABAH, THE SUNNI AND SHIA MERCHANT ARISTOCRACIES, AND THE JENAAT (IRAQI-ORIGIN SUNNI). THE AL-SABAH HAVE BEEN THE MAJOR BENEFICIARIES, AS THEY HAVE SOLIDIFIED THEIR HOLD ON GOVERNMENT AND EXPANDED THEIR PRESENCE IN FINANCE AND COMMERCE. THE JENAAT WERE FORCED INTO CLOSER ALLIANCE WITH THE AL-SABAH FOLLOWING THE 1982 STOCK MARKET CRASH, AS THE RULING FAMILY HELPED EXTRACT THEM FROM THEIR FINANCIAL DIFFICULTIES. THE SHIAS FOLLOWED A SIMILAR COURSE AS THEIR COMMERCIAL TIES TO IRAN CRUMBLED DURING THE GULF WAR. THE SUNNIS, WHILE STILL RETAINING GREAT WEALTH AND PRESTIGE, HAVE BEEN HOBBLING BY INTRAMURAL SQUABBLING OVER HOW TO DIVIDE THE STAGNANT ECONOMIC PIE AVAILABLE TO THEM.

¶3. AS A RESULT OF THIS REALIGNMENT OF POWER, THERE ARE FEWER CHECKS ON THE AL-SABAH ABILITY TO MAKE AND IMPLEMENT GOVERNMENT POLICIES. THIS SHOULD NOT CAUSE ANY MAJOR SHIFTS IN FOREIGN POLICY, AS THE RULING FAMILY IS BASICALLY PRO-WESTERN. ALTHOUGH RELATIVELY CONSERVATIVE, IT IS NOT PRONE TO EXTREMISM OF ANY STRIPE AND MONOLITHIC ONLY ON ISSUES OF SURVIVAL. DOMESTICALLY, WE MAY SEE A GREATER PROCLIVITY FOR THE AL-SABAH TO ASSERT THEIR RULE OVER THE OBJECTIONS OF OTHER SEGMENTS OF SOCIETY (THE RECENT UNIVERSITY SHAKE-UP COULD BE AN INITIAL HARBINGER OF THIS TREND). ALTHOUGH THE TRADITION OF PLURALISTIC DECISION MAKING IS STILL STRONG AND KUWAIT IS NOT ABOUT TO BECOME AN AUTARCHY, THE GREATER CONCENTRATION OF POWER IN THE HANDS OF THE RULING FAMILY COULD SET THE STAGE FOR FURTHER DEMOCRATIZATION OF KUWAITI SOCIETY. (THIS CABLE FULFILLS PART OF POST REPORTING PLAN.) END SUMMARY.

THE SUNNI ARISTOCRACY: PRAGMATISM THE WATCHWORD

¶4. THE ORIGINS OF KUWAIT'S SOCIAL STRUCTURE DATE TO THE FOUNDING OF THE STATE IN THE LATE EIGHTEENTH CENTURY. TRADITION HAS IT THAT THE FOUNDING FAMILIES CHOSE ONE OF THEIR NUMBER, AL-SABAH, TO HEAD THE GOVERNMENT AND "MIND THE STORE" WHILE THE REMAINING FAMILIES PURSUED BUSINESS INTERESTS. DEPENDING ON WHO IS TELLING THE STORY, THIS WAS EITHER BECAUSE THE AL-SABAH HAD SHOWN A FLAIR FOR MEDIATION, OR BECAUSE THEY WERE THE WEAKEST OF THE FOUNDING FAMILIES AND SO WERE GIVEN THE SHORTEST (I.E., MOST UNPROFITABLE) END OF THE STICK. EVEN TODAY THE AL-SABAH REFER TO THEMSELVES AS THE "RULING", RATHER

THAN THE "ROYAL", FAMILY, REFLECTING THE TRADITION OF BEING FIRST AMONG EQUALS. THE OTHER FOUNDING FAMILIES FORM THE CORE OF THE SUNNI MERCHANT ARISTOCRACY.

¶15. MEMBERSHIP IN THE SUNNI ARISTOCRACY HAS BEEN FAR FROM STATIC, AS SUNNI FAMILIES WHO MIGRATED TO KUWAIT OVER THE YEARS HAVE BEEN INTEGRATED INTO IT. FINANCIAL ACUMEN, WEALTH AND GULF SUNNI BACKGROUND HAVE BEEN THE TICKETS OF ADMISSION. ONE OF THE MEMBERS OF THE SUNNI ARISTOCRACY, KUWAIT INVESTMENT AUTHORITY (KIA) MANAGING DIRECTOR DR. FAHAD AL-RASHED, RECENTLY REMINDED THE AMBASSADOR AND EMBOFF THAT HIS GRANDFATHER HAD WALKED BAREFOOT OUT OF A POOR NEJDI VILLAGE IN SAUDI ARABIA (ZILFI) IN THE EARLY TWENTIETH CENTURY SEEKING HIS FORTUNE IN THE CITY-STATE TO THE NORTHEAST. THE FOUNDERS OF THE AL-HAMAD, AL-KHORAFI, AL-SHAYA, AL-OSAIMI, AND AL-SAAD ARISTOCRATIC FAMILIES DID LIKEWISE. EVEN SOME LONGER ESTABLISHED FAMILIES LIKE THE AL-ABDULRAZZAKS GAINED WEALTH AND POWER ONLY RECENTLY. THE CURRENT PATRIARCH OF THE FAMILY TOLD EMBOFF DURING A DIWANIYA CALL THAT AS A YOUTH HE WORKED AS A WELL-DIGGER, WHEREAS TODAY HE COUNTS THE FAMILY WEALTH IN THE TENS OF MILLIONS OF DOLLARS.

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¶16. THE SUNNI ARISTOCRACY SPREADS ITS INFLUENCE THROUGHOUT THE BUSINESS COMMUNITY THROUGH A SERIES OF INTERLOCKING DIRECTORATES CENTERED ON THE NATIONAL BANK OF KUWAIT (NBK), THE SUNNI FLAGSHIP. ITS MANAGERS MAINTAIN THAT NBK IS THE MOST PROFITABLE OF THE ARAB BANKS AND HOPE IT WILL SOMEDAY OVERTAKE ITS CLOSEST RIVALS, NCB OF SAUDI ARABIA AND ABC OF BAHRAIN, TO BECOME THE BIGGEST ARAB BANK IN TERMS OF ASSETS. THE ARISTOCRACY'S EXECUTIVE TALENT HAS ALSO LONG BEEN PUT TO USE IN HIGH-LEVEL GOVERNMENT POSITIONS. TWO EXAMPLES WILL SUFFICE TO INDICATE THE BREADTH OF THE ARISTOCRACY'S INFLUENCE:

-- THE BILLIONAIRE NBK CHAIRMAN, MOHAMMED ABDULMOHSEN AL-KHORAFI, HAS A SON WHO IS MINISTER OF FINANCE, A COUSIN WHO IS UNDERSECRETARY OF THE INTERIOR, AND CLOSE RELATIVES WHO CONTROL THE SUCCESSFUL KUWAITI SAFEWAYS.

-- THE THREE SONS OF THE NBK DEPUTY CHAIRMAN MOHAMED ABDUL RAHMAN AL-BAHAR ARE THE CHAIRMEN OF KUWAIT INTERNATIONAL INVESTMENT COMPANY, THE LARGEST PRIVATE INVESTMENT COMPANY IN THE COUNTRY; THE KUWAIT INVESTMENT COMPANY, THE SECOND LARGEST GOK-OWNED INVESTMENT COMPANY; AND THE MANAGER OF A MAJOR IMPORT COMPANY WHICH, AMONG OTHER THINGS, HAS THE LOCAL CATERPILLAR CONCESSION. ONE OF THE ELDER AL-BAHAR'S BROTHERS IS THE OFFICE DIRECTOR FOR THE CROWN PRINCE, A NEPHEW IS ON THE BOARD OF GULF BANK, AND A COUSIN IS ON THE BOARD OF COMMERCIAL BANK.

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¶17. THE SUNNI ARISTOCRACY HISTORICALLY WAS CONSIDERED A LIBERALIZING COUNTERWEIGHT TO THE MORE CONSERVATIVE AL-SABAH. FOR EXAMPLE, IN THE 1920'S AND 1930'S, THE MERCHANTS PRESSED (UNSUCCESSFULLY) FOR A MEANINGFUL LEGISLATIVE COUNCIL TO CHECK THE EXECUTIVE POWER OF THE AL-SABAH. AT LEAST IN RECENT DECADES, THEIR MOTIVATION FOR INVOLVEMENT IN POLITICAL AFFAIRS HAS NOT BEEN BORN OF IDEOLOGY, BUT RATHER OF A DESIRE TO MAINTAIN A POLITICAL AND BUSINESS CLIMATE CONDUCIVE TO CONTINUED PROFIT-MAKING. THUS, THE DISSOLUTION OF THE NATIONAL ASSEMBLY IN 1976 WAS NOT OPPOSED BY THE ARISTOCRACY, SINCE THE ASSEMBLY'S POLITICAL ACTIVITIES WERE, IF ANYTHING, HARMING THE COMMERCIAL CLIMATE. TODAY, THE MEMBERS OF THE ARISTOCRACY REPRESENT A MULTIPLICITY OF VIEWS ON PURELY POLITICAL QUESTIONS. THE ONE POLICY GOAL THEY SHARE IS AVOIDANCE OF ANY POLITICAL, ECONOMIC, OR SECURITY PROBLEM WHICH COULD HURT THEIR ABILITY TO MAKE MONEY; FOR THE SUNNI ARISTOCRACY, PRAGMATISM IS THE WATCHWORD.

THE SHIA ARISTOCRACY: COUNTERWEIGHT TO THE SUNNI

¶18. THE SHIA ARISTOCRACY IS COMPOSED OF THREE FAMILIES WHO MIGRATED TO KUWAIT FROM IRAN AND IRAQ BETWEEN 1850 AND 1900: THE BEHBEHANIS (INCLUDING THE AL-ABULHASSANS

AND THE AL-MAARAFIS); THE AL-KAZEMIS; AND THE QABAZARDS. THE BEHBEHANIS AND THE AL-KAZEMI CLAIM ARABIC ANCESTRY, BUT MOST KUWAITIS CONSIDER ALL OF THE SHIA ARISTOCRATS TO BE OF PERSIAN STOCK. LIKE THE SUNNI ARISTOCRATS, THEY HAVE ACHIEVED THEIR STATUS BY VIRTUE OF ACCUMULATED WEALTH AND FINANCIAL ACUMEN, AND HAVE EMPLOYED THEIR EXECUTIVE TALENT IN GOK POSITIONS. THEIR BUSINESS ACTIVITY IS CENTERED AROUND THE AL-AHLI BANK, WHICH THEY CONTROL, AND THEIR GOVERNMENT INVOLVEMENT AROUND THE OIL INDUSTRY, HIGHER EDUCATION, AND THE MEDIA.

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¶19. THE SHIA ARISTOCRACY HAS LONG BEEN USED BY THE AL-SABAH AS A COUNTERWEIGHT TO SUNNI DOMINANCE OF COMMERCE AND FINANCE AND AS A CONNECTION TO IRAN. THE SHIA ABDULMUTALIB AL-KAZEMI, OIL MINISTER FROM 1975 TO 1978, PRESIDED OVER THE NATIONALIZATION OF KUWAIT'S OIL INDUSTRY, WHICH CREATED A NEW SOURCE OF WEALTH AND POWER FOR THE AL-SABAH INDEPENDENT OF THE SUNNI ARISTOCRATS. SHIA ARISTOCRATS HAVE CONTINUED TO FILL MANAGEMENT POSITIONS IN THE OIL INDUSTRY. THE AMIR ALSO REPORTEDLY USED AL-AHLI BANK AS HIS CONDUIT FOR FINANCIAL RELATIONS WITH IRAN DURING THE REIGN OF THE SHAH. BY THE START OF THE 1980'S, THE SHIA ARISTOCRATS AND THE AL-SABAH ENJOYED A SYMBIOTIC WORKING RELATIONSHIP IN WHICH EACH SIDE HELPED THE OTHER REMAIN INDEPENDENT OF THE SUNNI MERCHANTS.

THE JENAAT: WESTERN-ORIENTED NOUVEAU-RICHE

¶10. THE JENAAT ARE A GROUP OF SUNNI FAMILIES, MORE PROPERLY A CLAN, WHICH MIGRATED TO KUWAIT FROM NORTHERN IRAQ IN THE EARLY 19TH CENTURY. THE CLAN INCLUDES THE AL-MUTAWA, AL-SALEH, AL-SURI, AL-SULTAN, AL-ISSA, AL-BADR, AL-MUSALLEM, AL-NAJI, AL-JASSEM, AND THE AL-YASSEEN FAMILIES. THE JENAAT NUMBER WELL OVER 10,000 AND ARE KUWAIT'S LARGEST FAMILY GROUP. WHILE MOST WEAR TRADITIONAL KUWAITI DRESS, THEIR FAIR COMPLEXION, INCLUDING SOME BLONDS, GIVES THEM A DISTINCTLY EUROPEAN APPEARANCE. THEY MARRY ALMOST EXCLUSIVELY WITHIN THE FAMILY (WHEN MARRYING KUWAITIS), AND HAVE KEPT THEIR DISTANCE FROM THE OTHER SUNNI FAMILIES.

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¶11. THE JENAAT RISE TO PROMINENCE DATES FROM THE EARLY PART OF THIS CENTURY WHEN THE AL-SABAH ADOPTED THE JENAAT ORPHAN YUSIF AL-ISSA. YUSIF GREW UP IN THE AL-SABAH HOUSEHOLD AND SOLIDIFIED HIS TIES WITH THE RULING FAMILY WHEN HE SERVED ON THE LEGISLATIVE COUNCIL IN THE 1930'S AND DEFENDED THE AMIR AGAINST ITS ATTEMPTS TO DILUTE HIS AUTHORITY. YUSIF INSISTED THAT EACH OF HIS TWELVE SONS RECEIVE A FIRST-RATE EDUCATION IN THE U.S. OR UK, AND A CONTINUING FAMILY EMPHASIS ON QUALITY EDUCATION HAS CAUSED A HIGHER PROPORTION OF JENAAT THAN OTHER KUWAITIS TO HAVE WESTERN BUSINESS DEGREES (AND WESTERN WIVES). IT HAS ALSO LED THE JENAAT TO SUPPLY MANY OF THE PROFESSIONAL AND TECHNICAL EXPERTS NEEDED BY KUWAITI PRIVATE COMPANIES AND THE GOK-OWNED OIL CONCERN, ALTHOUGH IN THE 1960'S CLAN MEMBERS BEGAN TO MOVE INTO OWNERSHIP POSITIONS WITH THE HELP OF THE JENAAT-CONTROLLED GULF BANK. REFLECTIVE OF THE RANGE OF JENAAT EXPERIENCE AND OPINION IS THE PROMINENCE OF SOME CLAN MEMBERS AMONG KUWAITIS COMMITTED TO "PAN-ARAB" CAUSES.

¶12. THERE IS NO LOVE LOST BETWEEN THE SUNNI ARISTOCRACY AND THE JENAAT. THE SUNNI MERCHANTS CONSIDER THE JENAAT "NOUVEAU RICHE" WHO TRADED ON YUSIF'S CONNECTION WITH THE AL-SABAH TO MAKE INROADS INTO COMMERCE AND FINANCE. THE JENAAT, IN TURN, ARE GENERALLY CONSIDERED THE MOST ANTI-SHIA KUWAITIS, PROBABLY BECAUSE THE SHIA ARE SEEN AS RIVALS FOR THE FAVOR OF THE AL-SABAH AND FOR MANAGEMENT POSITIONS WITHIN THE OIL INDUSTRY -- OIL MINISTER SHAIKH ALI-KHALIFA AL-SABAH IS SOMETIMES REFERRED TO AS THE "JENAAT SHAIKH" BECAUSE OF HIS RELIANCE ON THEIR TALENTS -- BUT THERE HAS NEVER BEEN AN INDICATION THAT THE AL-SABAH WOULD FOREGO THEIR CONNECTION TO THE SHIA ARISTOCRACY AT THE BEHEST OF THE JENAAT. ALTHOUGH THE JENAAT HAVE CARVED OUT AN IMPORTANT POSITION AS A

WESTERN-ORIENTED TECHNOCRATIC ELITE, THEY HAVE NEVER REACHED A POSITION WHERE THEY COULD INDEPENDENTLY CHALLENGE THE SUNNI OR SHIA ESTABLISHMENTS.

SOUK AL-MANAKH CRASH: A WATERSHED FOR THE JENAAT

¶13. BY 1980, THE FOUR MAJOR FAMILY GROUPS HAD ACHIEVED A CAREFUL BALANCE OF POWER. THIS BALANCE WAS SOON TO BE UPSET. THE FIRST SHOCK TO THE SYSTEM WAS THE 1982 SOUK AL-MANAKH STOCK MARKET CRASH, IN WHICH THE JENAAT LOST A LOT OF MONEY AND A GREAT DEAL OF PRESTIGE. JENAAT MEMBERS, PARTICULARLY THE AL-MUTAWA, WERE INVOLVED IN SOME OF THE BIGGEST FAILED DEALS WHICH SPARKED THE CRASH, AND THE SUNNI ARISTOCRACY TRIED TO BLAME THE CRASH ON THE UNBRIDLED GREED OF THE JENAAT. THERE WERE ALSO ACCUSATIONS THAT THE HEAD OF THE CLAN, MUSTAFA AL-SULTAN, USED HIS POSITION AS HEAD OF GULF BANK TO PROTECT THE CLAN'S WEALTH BY BLOCKING ACCOUNTS OF MANAKH PLAYERS WHO WERE IN DEBT TO IT.

¶14. THE JENAAT'S PROBLEMS AFTER THE MANAKH DISASTER GAVE THE AL-SABAH AN OPENING TO AUGMENT THEIR RELATIONSHIP WITH THE CLAN, AS THE FINANCIAL COMMUNITY TURNED TO THE GOK TO RESCUE KUWAIT'S FINANCIAL SYSTEM. THE RULING FAMILY MADE THE MOST OF THIS OPPORTUNITY. ALTHOUGH THE FINANCE MINISTER AT THE TIME WAS A SUNNI ARISTOCRAT WHO FAVORED LETTING THE MANAKH CHIPS FALL WHERE THEY MAY, THE GOK DECIDED TO IMPLEMENT A BAIL-OUT OF THE BANKS AND DEBTORS MOST AFFECTIONATE BY THE CRASH. THERE WERE EVEN CHARGES THAT THE AL-SABAH AND JENAAT HAD CONSPIRED TO SETTLE UNFAIRLY A NUMBER OF THE CLAIMS RESULTING FROM THE CRASH.

¶15. WHATEVER THE PROPRIETY OF THEIR ACTIONS, THE AL-SABAH MANAGED TO PUT MANY OF THE JENAAT IN THEIR DEBT, BOTH FIGURATIVELY AND LITERALLY, AND EXTEND THEIR PREVIOUSLY LIMITED PARTICIPATION IN JENAAT BUSINESS ACTIVITIES. FOR EXAMPLE, FOR THE FIRST TIME, AN AL-SABAH WAS NAMED TO THE BOARD OF THE GULF BANK AFTER THE BANK'S SOLVENCY WAS RESTORED BY THE GOK. THE JENAAT ARE WIDELY SEEN AS HAVING SURVIVED THE MARKET COLLAPSE DUE IN LARGE PART TO AL-SABAH PATRONAGE, AND TO HAVE BEEN FORCED INTO CLOSER ALLIANCE WITH THE RULING FAMILY AS A RESULT. THE AL-SABAH, MEANWHILE, MANAGED TO SURVIVE THE POLITICAL CRISIS CAUSED BY THE NATIONAL ASSEMBLY'S CRITICISM OF THE BAIL-OUT PROGRAM AND ITS SUBSEQUENT DISSOLUTION, LARGEMLY BECAUSE THE PRAGMATIC SUNNI ARISTOCRACY CAME TO SEE POLITICAL STABILITY AS ESSENTIAL TO BUSINESS CONFIDENCE.

THE GULF WAR AND THE SHIA ARISTOCRACY

¶16. WHILE THE JENAAT WERE SWIFTLY WOUNDED BY THE SOUK AL-MANAKH CRASH, THE SHIA ARISTOCRACY WERE SLOWLY BLED BY THE IRAN-IRAQ WAR. THEY SUFFERED SERIOUS ECONOMIC SETBACKS AS LUCRATIVE FINANCIAL LINKS WITH IRAN WERE BROKEN AND THE CENTER OF THE TRADING RELATIONSHIP WITH IRAN WAS DIVERTED TO DUBAI. THE SHIA-CONTROLLED AL-AHLI BANK FACED SERIOUS FINANCIAL PROBLEMS AND HAD TO RECEIVE GOK FINANCIAL ASSISTANCE TO SURVIVE. AS WAS THE CASE WITH GULF BANK, THE AL-SABAH DEMANDED AND RECEIVED A SEAT ON THE AL-AHLI BOARD IN RETURN FOR THE GOK BAIL-OUT AND AS A SYMBOL OF THE SHIA'S INCREASED DEPENDENCE ON THE RULING FAMILY'S PATRONAGE.

¶17. MORE SERIOUS FOR THE SHIA ARISTOCRACY THAN THEIR FINANCIAL PROBLEMS WAS THE QUESTIONING OF THEIR LOYALTY. THIS REACHED A PEAK WHEN SHIA WORKERS WERE IMPLICATED IN THE SABOTAGE OF THE KPC REFINERY AT AHMADI AND THE JENAAT HEAD OF KOTC, ABDULFATAH AL-BADER, BEGAN ARGUING THAT KPC SHOULD SACK ALL OF ITS SHIA EMPLOYEES. OIL MINISTER SHAIKH ALI-KHALIFA AL-SABAH AND KPC MARKETING DIRECTOR SHAIKH ALI JABER AL-SABAH, THE AMIR'S SON-IN-LAW, BLOCKED ANY PRECIPITATE AXING OF SHIA MANAGERS, KEEPING, FOR EXAMPLE, A QABAZARD AS DEPUTY MANAGING DIRECTOR OF KOTC. NEVERTHELESS, THE SHIA ARISTOCRATS

FELT CONSTRAINED TO KEEP LOW PUBLIC PROFILES AND TO PROFESS THEIR LOYALTY TO THE STATE WITH GREAT OSTENTATION ON THE DIWANIYA CIRCUIT. NOW THAT THE WAR HAS WOUND DOWN, THE SHIA ARISTOCRATS ARE LEFT WITH MUCH LESS FINANCIAL POWER AND A GREATER SENSE OF DEBT TO THE AL-SABAH FOR THE PROTECTION AFFORDED DURING THE WAR YEARS.

THE SUNNI: DAMAGED FROM WITHOUT AND WITHIN

¶ 18. THE SUNNI ARISTOCRATS WHO HAD BEEN MIDDLEMEN IN TRADE WITH IRAN AND IRAQ SAW THEIR PROFITS DECLINE DURING THE GULF WAR, AS THE NORMAL TRADE AND FINANCIAL ACTIVITIES OF THE COMBATANTS SHRANK OR WERE DIVERTED ELSEWHERE. THE ARISTOCRACY MANAGED TO SURVIVE BECAUSE OF THE SIZE AND DIVERSITY OF THEIR FINANCIAL INTERESTS, NBK REMAINS THE ONLY KUWAITI PRIVATE BANK WHICH HAS NOT HAD TO TURN TO THE GOK FOR FINANCIAL ASSISTANCE; IT STILL HAS NO AL-SABAH ON ITS BOARD. NEVERTHELESS, THE WAR PUT A DAMPER ON THE GROWTH OF SUNNI ECONOMIC POWER. THE PICTURE IS NOT A GREAT DEAL BRIGHTER NOW THAT THE SHOOTING HAS CEASED. IRAQ'S LACK OF HARD CURRENCY AND APPETITE FOR ADDITIONAL CREDIT AND THE GOK'S REFUSAL TO ADVANCE THE CAPITAL WHICH KUWAITI CONTRACTORS NEED TO COMPETE FOR MAJOR PROJECTS HAS DASHED THE SUNNI ARISTOCRATS HOPES FOR PROFITING QUICKLY FROM POST-WAR RECONSTRUCTION IN IRAQ. THE SUNNI MERCHANTS ARE FAR FROM PAUPERS, BUT THEIR WEALTH IS NOT GROWING AT THE PACE IT ONCE DID.

¶ 19. THE SUNNI ARISTOCRACY'S PROBLEMS HAVE BEEN EXACERBATED BY INTRAMURAL SQUABBLING. THE ELDEST SON OF MULTI-BILLIONAIRE YUSIF AHMED AL-GHANIM, ARGUABLY THE RICHEST SUNNI MERCHANT, HAS SPENT MOST OF THE DECADE IN THE U.S. DUE TO DIFFERENCES WITH HIS FATHER. OTHER SENIOR MEMBERS OF THE FAMILY ARE FEUDING FOR VARIOUS REASONS. TWO SUNNI FAMILIES, THE AL-KHALEDS AND AL-GHARABALLYS, ARE FIGHTING OVER POTENTIALLY PROFITABLE SPONSORSHIP OF THE LOCAL FRENCH SCHOOL. SIMILAR DISPUTES OVER CONTROL OF OTHER PROFITABLE VENTURES HAVE SPRUNG UP AS MEMBERS OF THE SUNNI ARISTOCRACY MANEUVER TO SECURE SLICES OF A STAGNANT ECONOMIC PIE. THESE FAMILY DIFFERENCES HAMSTRING THE SUNNI AND MEAN THEY CANNOT EASILY MOUNT A UNIFIED CAMPAIGN TO RE-ASSERT THEMSELVES VIS-A-VIS THE AL-SABAH. THEY ARE THUS ENDING THE DECADE WEAKER THAN THEY ENTERED IT, BOTH FINANCIALLY AND POLITICALLY.

THE AL-SABAH INCREASE THEIR FINANCIAL CLOUT ...

¶ 20. WHILE KUWAIT'S OTHER THREE FAMILY POWER BLOCS SUFFERED ECONOMIC SETBACKS DURING THE 1980'S, THE AL-SABAH WERE AUGMENTING THEIR POWER. THEY TIED GOK FINANCIAL FORTUNES TO OIL REVENUES AND INVESTMENT IN THE DEVELOPED WORLD, THEREBY INSULATING THEM FROM THE EFFECTS OF THE GULF WAR (WITH NO SMALL HELP FROM THE UNITED STATES NAVY). GOK, AND BY IMPLICATION AL-SABAH, FINANCIAL CLOUT THUS WAS STRENGTHENED RELATIVE TO PRIVATE KUWAITI INTERESTS.

¶ 21. AL-SABAH FAMILY MEMBERS HAVE ALSO BEEN ABLE TO INCREASE THEIR PERSONAL FORTUNES IN THE 1980'S DUE IN PART TO THEIR GOK CONNECTIONS. THE RICHEST AL-SABAH OF ALL MAY BE SHAIKH SALEM AL-ALI AL-SABAH, WHO HEADS THE NATIONAL GUARD AND HAS REPORTEDLY AMASSED A FORTUNE BY BROKERING ARMS DEALS WITH KUWAIT OR NEIGHBORING ARAB STATES. A QUIET MAN, HIS HUGE, WELL-FURNISHED DIWANIYA HAS ALWAYS BEEN EERILY EMPTY EXCEPT FOR FAMILY RETAINERS WHENEVER EMBOFFS HAVE DROPPED IN ON EID CALLS. HIS BANK ACCOUNTS, HOWEVER, ARE FAR FROM EMPTY; A LOCAL BANKER RECENTLY TOLD EMBOFF THAT SHAIKH SALEM AL-ALI HAD ALMOST TWO BILLION RPT BILLION DOLLARS ON DEPOSIT IN LOCAL BANKS ALONE, WHICH WOULD MAKE HIM ONE OF THE THREE OR FOUR RICHEST KUWAITIS.

¶ 22. THE NET RESULT OF THE CHANGES IN THE 1980'S HAS

BEEN A SIGNIFICANT SHIFT IN THE ROLE PLAYED BY THE AL-SABAH IN THE LOCAL ECONOMY. IN THE LATE 1970'S, THE MERCHANTS WERE ABLE TO PUT A MEMBER OF THE AL-SABAH OUT OF THE IMPORT BUSINESS BY QUIETLY PASSING THE WORD TO THE CROWN PRINCE THAT THE MAN WAS TRESPASSING ONTO TERRITORY RESERVED FOR OTHERS, AND THE RULING FAMILY HAD LITTLE INFLUENCE IN THE PRIVATE BANKING ESTABLISHMENT. NOW, THE MERCHANTS WORRY THAT THEY WILL BE FORCED TO FIND ROOM IN THEIR BUSINESSES FOR YOUNG UNDER-EMPLOYED AL-SABAH, AND THE FAMILY HAS SEATS ON THE BOARDS OF THREE OF THE FOUR LARGEST PRIVATE BANKS (AL-AHLI, COMMERCIAL, AND GULF). THE OLD TABOOS HAVE BEEN BROKEN, AND THE AL-SABAH ARE CLEARLY FREE TO COMPETE WITH THE OTHER FAMILY POWER BLOCS ON THEIR OWN TURF.

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...AND CONSOLIDATE AL-SABAH POLITICAL POWER

¶23. BEFORE IT WAS SUSPENDED IN 1986, THE NATIONAL ASSEMBLY HAD BEEN A BRAKE ON AL-SABAH POWER AND A VEHICLE BY WHICH THE OTHER FAMILIES COULD PUT THEM ON NOTICE WHEN THEIR GRASP EXTENDED TOO FAR. ONE THING THE MAJORITY IN THE NATIONAL ASSEMBLY HAD IN COMMON WAS THAT IT WAS NON-AL-SABAH AND COULD CALL THE RULING FAMILY TO ACCOUNT. ALTHOUGH THE AMIR IS STILL CAREFUL TO OBSERVE FORM AND CONSULT WITH THE MERCHANT PATRIARCHS WHEN CONSIDERING MAJOR POLITICAL MOVES LIKE A CABINET CHANGE, THERE IS NO LONGER ANY VEHICLE EXCEPT THE INFORMAL DIWANIYA SYSTEM BY WHICH THE FAMILIES CAN DEMAND AN ACCOUNTING FROM THE AL-SABAH. HOWEVER, THEY ARE IN A WEAKENED POSITION TO MAKE DEMANDS THROUGH THIS INFORMAL SYSTEM, NOW THAT THE JENAAT AND SHIA ARISTOCRACY ARE BEHOLDEN TO THE AL-SABAH TO A GREATER DEGREE, AND THE SUNNI ARISTOCRATS ARE LESS ABLE TO BACK THEIR POLITICAL INTERESTS WITH FINANCIAL MUSCLE.

¶24. THIS IS NOT TO SAY THERE HAS BEEN ANY OBVIOUS OR DRAMATIC SHIFT IN OVERT POLITICAL POWER. THE CABINET REMAINS CAREFULLY BALANCED BETWEEN THE AL-SABAH AND OTHER FAMILIES, ALTHOUGH, WITH THE EXCEPTION OF FINANCE, THE NON-AL-SABAH PORTFOLIOS ARE NOT KEY ONES. THERE HAS BEEN A GROWING AWARENESS, HOWEVER, THAT THE AL-SABAH MAY BE ABLE TO MAKE POLITICAL MOVES WITH LESS RESTRAINT THAN IN THE PAST. THE RECENT CONTROVERSIAL SHAKE-UP OF UNIVERSITY ADMINISTRATION APPARENTLY INDUCED BY THE RULING FAMILY (REF E) IS ONE INDICATOR OF THIS TREND. A SIGN TO WATCH FOR IN THE FUTURE IS THE FATE OF FINANCE MINISTER JASSIM AL-KHARAFI, A MEMBER OF THE SUNNI ARISTOCRACY. SHOULD HE BE REPLACED BY AN AL-SABAH, THIS, ALONG WITH RETENTION OF AN AL-SABAH AS HEAD OF THE CENTRAL BANK, WOULD GIVE THE RULING FAMILY MANAGERIAL CONTROL OVER FISCAL AND MONETARY POLICY AND FURTHER AUGMENT THEIR HOLD ON GOVERNMENT INSTITUTIONS.

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IMPLICATIONS FOR FOREIGN AND DOMESTIC POLICY -- MORE AUTHORITARIANISM ON THE WAY?

¶25. AN INCREASED CONCENTRATION OF POWER IN THE RULING FAMILY SHOULD NOT HAVE ANY IMMEDIATE IMPLICATIONS FOR KUWAITI FOREIGN POLICY, WHICH HAS TRADITIONALLY BEEN THE PRESERVE OF THE AL-SABAH IN ANY CASE. THE CONSERVATIVE AL-SABAH ARE PRAGMATIC, CAREFUL RULERS FAVORABLY DISPOSED TOWARD SOLID TIES WITH THE WEST, AS WAS AMPLY DEMONSTRATED BY IMPLEMENTATION OF THE MARITIME PROTECTION REGIME. THEY SHOW NO DISPOSITION TOWARD EXTREMIST VIEWS WHICH COULD DEVELOP INTO ANTI-WESTERN POLICIES. THE DECLINING INFLUENCE OF OTHER FAMILY GROUPS COULD EVENTUALLY ALLOW THE AL-SABAH TO ACT WITH LESS RESTRAINT ON FOREIGN POLICY ISSUES, BUT WE DO NOT ENVISION THIS HAVING ANY SIGNIFICANT IMPACT ON U.S. INTERESTS.

¶26. DOMESTICALLY, REDUCED CHECKS ON AL-SABAH EXECUTIVE POWER DECREASE THE PROSPECTS FOR ACCELERATED DEMOCRATIZATION AND COULD LEAD TO A MORE AUTHORITARIAN SOCIETY. IT IS HARD TO IMAGINE ANY OF THE OTHER FAMILY POWER

BLOCS, IN THEIR WEAKENED STATES, LEADING THE CHARGE FOR RESTORATION OF A NATIONAL ASSEMBLY WITH TEETH. ON THE OTHER HAND, THE STRONG KUWAITI TRADITION OF PLURALISTIC DECISION-MAKING WILL PROBABLY PRECLUDE ANY RASH POWER GRABS BY THE RULING FAMILY. MORE LIKELY, THE AL-SABAH WILL WORK TOWARD ACCRETION OF POWER SLOWLY AND DELIBERATELY, WHILE BEING CAREFUL TO PRESERVE THE APPEARANCE OF CONSULTATION WITH THE OTHER FAMILY BLOCS AND CONTINUING TO PLAY THOSE BLOCS OFF AGAINST EACH OTHER. THE OTHER FAMILIES WILL NO DOUBT GRUMBLE ABOUT THIS DEVELOPMENT. HOWEVER, GIVEN THEIR WEAKENED POSITIONS AND PROBABLE AL-SABAH CAUTION ABOUT GOING TOO FAR TOO FAST, THE RULING FAMILY SHOULD BE ABLE TO EFFECT A GREATER CENTRALIZATION OF AUTHORITY IN KUWAIT WITHOUT BEING CHALLENGED BY ANY SERIOUS DOMESTIC DISSENT.

¶27. THE MOST AVAILABLE CHECK ON AL-SABAH POWER MAY BE THE DIVERSITY OF THE RULING FAMILY ITSELF. EXCEPT IN THE CASE OF SURVIVAL ISSUES, THE AL-SABAH ARE NOT MONOLITHIC. A LIVELY MANEUVERING FOR POWER AND INFLUENCE BETWEEN THE JABER AND SALEM BRANCHES (REF D) IS ALMOST ASSURED BY THE ORGANIZATION AND SUCCESSION PATTERNS DEVELOPED OVER DECADES. IT HAS BEEN REPORTED, FOR EXAMPLE, THAT THE RECENT UNIVERSITY SHAKE-UP AROSE NOT FROM A CONCERTED AL-SABAH DECISION BUT FROM THE PLAYING OUT OF THESE INTER-RIVALRIES. TO PLAY THE GAME, AL-SABAH FACTIONS CAN AND DO SEEK OUT ALLIES AMONG THE MERCHANTS, TRIBES OR OTHER ELEMENTS ON SPECIFIC ISSUES. THUS, WHILE THE RELATIVE ACCRETION OF AL-SABAH POWER ALTERS THE WEIGHTS OF SOME ELEMENTS IN THE KUWAITI EQUATION, THE RESILIENCY AND DYNAMISM OF THE KUWAITI SYSTEM WILL CONTINUE TO MAKE IT ONE OF THE MORE INTERESTING AND DURABLE IN THE REGION.

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